

Mumbai's Mysterious Middle Class

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Abstract

Mumbai forms the décor to an interesting set of relationships among economic liberalization, globalization, class restructuring and an unprecedented housing construction boom. The much talked about new Indian middle class is primarily an urban phenomenon and seems nowhere more salient than in India's commercial capital and largest city. This article seeks to undo some of the mysteries that surround the new middle class: how it can be empirically defined, whether and how it is growing, how class restructuring in Mumbai conforms (or not) to Western arguments about social polarization, and how any such class restructuring can best be explained. The empirical analysis employs existing data from various sources on income and consumption in Mumbai (and India at large) and reports on selected findings from a recent survey by the author on housing, class and upward mobility among households in newly constructed homes in Greater Mumbai. Data on the distribution of household incomes show that the upper-middle income classes have grown relative to the total, that the lower-middle income classes have shrunk, and that the ranks of the poor have expanded slightly. Survey data among new home buyers in Mumbai suggest little upward mobility. Discourse about the 'new middle class' tends to focus on consumption rather than income and additional findings indicate that much of the growth in consumption is credit-based.

Introduction

In the past few years, class has become an important topic of debate in India. The discussions tend to focus on one of two sets of observations or arguments. The first concerns the alleged rise of a new urban middle class, a trend greeted with enthusiasm by many, especially free-marketers, reformers and the corporate world. The other emphasizes the alleged marginalization of the poor, deplored by leftist politicians, activists and others who are concerned with the unequal outcomes of liberalization.

Across India's big cities, this restructuring of class coincides with a veritable housing revolution. Never before has India seen housing construction on a scale as massive as in the past five years or so. This is a major development, because the shortage of housing and the poor quality of existing stock have been defining characteristics of the problems

Some of the arguments in this article were first presented at a meeting with the Mumbai Study Group at Rachna Sansad School of Architecture, Mumbai, 11 June 2005. I am grateful to the organizers, Darryl D'Monte, Arvind Adarkar and Pankaj Joshi, and to the other participants for their constructive comments. Pankaj Kapoor was tremendously helpful with the surveys and his insights into Mumbai's residential real estate market were invaluable. Others who generously shared their time and views or provided documented information include R. Anand, Nauzer Bharucha, Madhvendra P. Das, Hardeep Dayal, Celine D'Cruz, Niranjana Hiranandani, Suresh Menon, Mofatraj Munot, Gurbir Singh and Rajrishi Singhal. Neil Smith made valuable comments on an earlier draft of the article. I am thankful to all, yet I realize they may not all agree with all of my arguments – the usual disclaimer applies. This research was supported with NSF (USA) grant BCS 0213648.

of urban India for more than a century. The burst of activity in the housing industry, too, is closely related to market liberalization. Housing is a major marker of class, and changes in housing affordability tend to reflect changes in class structure. Recent developments in urban India, then, suggest an interesting set of relationships between market liberalization, class restructuring and housing.

Mumbai (known as Bombay prior to 1995) is an interesting place to investigate these relationships. This is India's commercial capital and largest city. It is sometimes referred to as 'the City of Gold,' a place where many have gone from rags to riches. It is a place, in other words, with plenty of opportunity for upward mobility and presumably a dynamic class structure. But Mumbai is also known as a city of extremes, of very rich and desperately poor, of a relatively large and prosperous 'middle class', and as the site of the largest concentrations of slums in Asia. The discussion in this article will focus on the urban area known as Greater Mumbai, the peninsular area populated by about twelve million people — it will exclude the recently developed Navi Mumbai (New Mumbai) which is located on the mainland.

In this article, I will explore Mumbai's changing class structure in the context of liberalization and with special attention to housing. I will approach the notion of class primarily in material terms with an emphasis on income and consumption. The operational question is what is meant by Mumbai's 'middle class', how it is changing and whether it is expanding. Any significant change in class structure must involve mobility through the middle strata. Hence, an analysis of the middle class will reflect overall changes in Mumbai's class structure. The empirical analysis will combine existing data on household income and consumption with primary data on housing that was collected in the spring of 2005. Since existing data at the level of Mumbai is limited, some parts of the empirical discussion will bear on aggregate numbers for all of India.

At a theoretical level, this study does not concentrate on the concept of class itself. Rather, it engages arguments in the literature on social polarization and on the changing role of the state and local government towards neoliberalism. That literature is decidedly 'Western' in its orientation, and it is not so clear whether it applies to conditions in Mumbai. So it is useful to start out with a general theoretical discussion and to highlight the particular circumstances in urban India.

Class and social polarization in the urban environment

In the social sciences for the past 25 years or so, class lost terrain to other categories of identity such as race, gender and ethnicity. The reasons have to do with the rise of post-structuralism and with the so-called cultural turn in the social sciences. The study of class politics often gave way to an identity politics in which class became something of a background variable. India was no exception to this trend and it is evident in much of the recent writing on identity politics in Mumbai (for a good overview, see Patel, 2003). I think that, particularly in a global neoliberal context, it is important to address this imbalance and to revive 'class as a critical social and political lens' (Smith, 2000: 1027). Indeed, the frequent omission of class as a conceptual category in analyses of the outcomes of the ideological repositioning of the neoliberal state is quite remarkable.

Notwithstanding the fact that class as a concept has faded into the background, the social science literature of the past two decades has given considerable attention to notions of social polarization, particularly in the spatial context of globalizing, post-industrial cities (e.g. Friedmann, 1986; Sassen, 1991; O'Loughlin and Friedrichs, 1996; Badcock, 1997). Given the lack of attention to class, it should come as no surprise that the debates on social polarization are rather fuzzy at a conceptual level (for a critique, see Hamnett, 1994; 2001) and the problem is compounded by the shortage of empirical studies. Nonetheless, most writers agree that urban areas in the West are characterized by significant trends of social polarization with serious social consequences.

It appears that polarization may take two possible forms. One common way of conceiving of social polarization is in terms of a shrinking middle class as a result of a two-step restructuring of the urban economy and the urban labor market. The first step comprised de-industrialization in the 1960s and 1970s and the concomitant decimation of middle-class jobs. The second step involved, since the late 1980s, the emergence of the information economy that is associated with a dualistic labor force of highly educated and well-paid professionals versus low-skilled and low-paid workers in the service sector. This particular view of social polarization has frequently found its way into the mass media.¹

A more recent perspective on polarization is linked to the emergence since the early 1980s of a 'new urban politics' that is driven by neoliberal ideologies (see, for example, DeFilippis, 2004; Wilson, 2004). In this view, local government changed its role vis-à-vis the market and toward its citizens as it changed from a 'managerial' to an 'entrepreneurial' state. In the entrepreneurial condition, the state is less inclined and less able to prevent or cure poverty. As a re-engineered economic growth machine, the local state is said to be preoccupied with turning the city into a successful theater of capital accumulation while turning a more or less blind eye to the fate of the disadvantaged population.

So what are, hypothetically, the consequences of these forms of polarization for income class structures? In the first view, former middle-class people either move up or down in the class hierarchy. This process of polarization is expressed in an increasingly bi-modal income distribution and an increasingly bi-polar class structure. The second view suggests a numerical expansion of low-income groups and/or a worsening of living conditions of lower income people due to diminished state support and decreasing access to goods such as housing, medical care, good schools, etc. In this view, there is a widening gap between the lower class and the rest of the urban population, while the fate of the middle classes remains somewhat unclear.

It is not easy to define class in theoretical terms and it is even harder to follow through with proper operationalization and empirical measurement. In a recent review essay, political scientist Andrew Hacker (2006: 16) remarked:

While the term is widely used, class has always resisted clear definition. We may talk of the rich and poor, of people in the middle, of blue- and white-collar workers, of haves and have-nots, yet attempts to place most people in an appropriate class have never been successful. There is no clear agreement on the number of classes, and how they should be defined. Indeed, attempts at precision inevitably create problems . . . Any attempt to set a floor or ceiling [for the middle class] is bound to raise questions.

A common conceptual distinction is between Marxian (ownership of the means of production) versus Weberian (consumption) conceptualizations of class but this distinction has over time become increasingly polarized, bland, probably misrepresentative of the ideas of both Marx and Weber, and fairly useless when it comes to a more empirically oriented study such as the present one. I should emphasize that this article is not the place for a theoretical essay on class and I do not aim to break new ground in that respect. Instead, I provide an empirical study that is framed in the context of current debates and discourses about social polarization in general and about class restructuring in Mumbai in particular. This is a study of class at the urban scale that lends itself to empirical definitions in terms of income and consumption, while acknowledging the broader (theoretical) significance of class in the realms of politics and culture.

1 See, for example, the *Washington Post National Weekly Edition* (27 September 2004), 'The vanishing middle class'. In the summer of 2005, *The New York Times* ran an extensive series of articles about 'Class in America' and this was quickly echoed in other print media in the US and abroad (e.g. *The Economist* and the Italian newspaper *La Repubblica*).

Even in purely empirical terms, class remains a difficult concept. When dealing with class structures, the empirical definition of any class (as well as the overall number of classes) within it becomes necessarily relative and somewhat arbitrary. This is most salient in the case of the 'middle' class since it is by definition positioned somewhere in between the extremes of a continuum (though the size of the middle class may vary substantially). Thus, in absolute terms of income or consumption the middle class of one country or locality may be very different (richer or poorer) from that of another locality. But at the same time, discussions about class and about social polarization sometimes employ rather absolute and apparently universal measures of what is 'rich' and, especially, what is 'poor'. Indeed, much is written about the ideological, cultural and economic similarities of India's new middle class and the established middle class in the West. We cannot avoid this inconsistency entirely — but I will try to be clear about my definitions throughout this article.

The Indian context

There is, of course, good reason to be cautious when applying the social polarization argument to a city such as Mumbai. Western and post-colonial cities have been on very different historical trajectories. Even if they currently undergo similar experiences in the global economy, these experiences will be filtered or mediated in different local environments and the outcomes, too, may differ (Beauregard and Haila, 2000; Chakravorty, 2000; Grant and Nijman, 2002).² One question is whether similar polarization processes are in fact taking place in Mumbai. Another is whether these processes are occurring in comparable contexts and producing similar outcomes.

At first glance it is certainly doubtful whether arguments about social polarization are applicable to Indian cities, particularly in the form of a shrinking middle class. After all, that argument stands in sharp contrast with popular narratives about India's new or growing middle class. Hence, it is unclear whether the trends of economic restructuring observed in Western cities over the past three decades or so also occurred in cities such as Mumbai. To be sure, Mumbai has lost large numbers of jobs in manufacturing since the 1970s, especially in the dominant textile industry (D'Monte, 2002), and it has gained jobs in finance, producer services and IT. But it would go too far to characterize Mumbai as a post-industrial city. It still has a large-scale manufacturing sector³ and even the pre-industrial era lives on in the ubiquitous use of human muscle-power among large portions of the low-income labor force. Mumbai's economy is striking in its intricate mixtures of pre-industrial, industrial and post-industrial modes of production.

The second perspective on polarization, in terms of marginalization of the poor, would seem more suitable to Mumbai as it articulates how the poor are left behind in the new neoliberal political economy. If this argument indeed applies, the problem in Mumbai is much more urgent than in any city in the West simply because of the vast numbers, absolutely and relatively, of the poor. It is generally argued that the class structure of Western cities prior to the onset of polarization had a relatively large middle section, that urban poverty was reduced very significantly in the preceding half-century,

2 I am skeptical of the so-called 'urban convergence' hypothesis that postulates that cities in the 'north' and the 'south' are becoming more alike due to globalization (e.g. Cohen, 1996). For a more elaborate argument about Mumbai as a post-colonial city, see Grant and Nijman (2002). For a more general discussion about comparative urbanism in the global era, see two sets of articles in special issues of the *International Journal of Urban and Regional Research* 29.1 (March 2005) and in *Urban Geography* (forthcoming).

3 Trends of deindustrialization in Mumbai have been significant in scope but have lagged behind similar trends in most Western cities. The share of manufacturing jobs in Mumbai peaked as late as 1971 at 42% and went down to 37% in 1991 (Deshpande and Deshpande, 2003: 65). By comparison, the number for New York City in 1971 was 22% (Sternlieb and Hughes, 1988: 27).

and that during that time the overall standard of living rose substantially across the urban populations. Clearly, this did not happen in Mumbai.

Since independence, amidst rapid and ongoing urbanization, the average standard of living in India's cities appears to have risen only slowly, while many continued to live in squalor. A new Indian lower-middle class took shape (with many of them holding jobs in the public sector) and the small rich elite continued to live in social (and often spatial) isolation from the urban masses. Those were the main contours of the class structure of India's cities prior to liberalization, a picture quite unlike that of the West.

In the existing literature, India's new middle class is often treated as a cultural and political phenomenon (Appadurai and Breckenridge, 1995; Varma, 1998; Gupta, 2000). In that perspective, the new middle class is seen to symbolize 'modernity' by way of its aspirational lifestyle, consumerism, materialism and adoration of the West. Politically, the new middle class is often criticized for its selfishness and its indifference to the poverty of India's masses. This is a very interesting set of writings but usually they make no empirical effort to quantify or locate the new middle class in relation to other strata and they generally do not seek to explain the emergence of a new middle class in terms of economic restructuring or a new urban politics.

One notable exception is Fernandes (2000), whose qualitative empirical work tracks changes in the middle-class workplace in Mumbai by way of a number of individual case studies and a series of interviews. She points out that most of the cultural approaches to the new middle class (above) actually focus on a relatively small upper echelon of the 'middle' class and thus render a distorted picture of what is happening to the middle class at large. In neoliberal Mumbai, she argues, some middle-class people are making a lot more money, but many others have lost their (formerly public sector) jobs altogether and almost all are confronted with less job security. Fernandes' study suggests that the restructuring of the labor market in Mumbai is not so different from that of Western cities in terms of a prevailing post-Fordist mode of production complete with downsizing and outsourcing, with some winners and quite a few losers (see also Breman and Das, 2000). Is Mumbai witnessing a Western-type squeeze of the middle class after all?

Another important contextual matter refers to caste. The relationship between class and caste is highly complex, obscure, and the subject of some politically charged debates. In colloquial discourse in urban India, the topic of caste itself, especially in relation to class, is often conspicuously absent. In academic debates about class in Mumbai, caste is often not mentioned at all.⁴ The avoidance of caste as a topic of discussion reflects some deep sensitivities and a desire to circumvent possible prejudice (both for higher and lower castes). But it can also be interpreted as an indication of its declining significance in relation to class.

This is not the place for an elaborate discussion of caste or its relation to class, but it is important to make the case that, in present-day urban areas at least, class can be usefully studied without reference to caste. Many prominent observers have testified to the erosion of traditional caste systems, the growing importance of secular class, especially in urban areas, and the decreasing correlation among the two. Some of these observations pre-date the liberalization period. For example, I.P. Desai, who had been involved in a variety of government committees dealing with this subject in the 1970s and early 1980s, made a powerful argument that 'backwardness' was not a matter of caste. In 1984 he wrote that 'the [caste] system itself is definitely not what it was say even 40 years ago' (Desai, 1984: 1107). Instead of equating class with caste, he notes that: 'The class to which an individual belongs can be identified by the activity he engages in for earning livelihood' (*ibid.*: 1113). More generally, he states: 'caste is not

4 Upper castes, in particular, seem to be inclined to either avoid the topic or, if it does come up, to claim their indifference about it. Ever since the Portuguese coined the term, it seems that Western observers have been more preoccupied with notions of caste than Indians themselves. For an interesting discussion about caste and modernity, see Pandian (2002) and Natraj (2003).

co-terminous with secular class and much less does the new stratification based on secular attributes concur with traditional caste hierarchy or status system' (*ibid.*: 1115).

Many observers today agree that caste has been subject to 'de-ritualization' and that a large part of the support system of caste has collapsed.⁵ The process is said to have intensified with liberalization and is most prominent in cities. With regard to mobility and the new middle class, Sheth notes that: 'The idea of upward social mobility today motivates people of all castes (not just the "lower" castes), collectively as well as individually. For the quest today is not for registering higher ritual status; it is universally for wealth, political power and modern (consumerist) lifestyles' (Sheth, 1999: 10). And 'when members of the lower castes . . . acquire modern means of social mobility . . . their low ritual status does not come in the way of their entering the middle class' (*ibid.*: 12). To sum up this view, a recent survey on class and social mobility across India by Kumar *et al.* (2002: 10) concludes that 'class inequalities cannot be explained by the current operation of caste in Indian society. To be sure, the historical legacy of caste should not be ignored, but we suspect that similar class inequalities could probably be found in other countries that lack the caste system but are at similar stages of economic development'.

A third and final contextual point that should be made before we turn to the empirical discussion is that Mumbai is not representative of India at large. Mumbai is extreme in terms of average income, cost of living, and the gap between rich and poor (Grant and Nijman, 2004). Its per capita net domestic product is roughly four times that of all-India and, on average, per capita income is also estimated to be about four times as high. The average middle-class (income) person in Mumbai is wealthy by Indian standards, and if a lower-middle class person from the interior regions of Maharashtra comes to Mumbai he is likely to find himself downgraded to the ranks of the poor. This complicates matters because, as we shall see, some of the quantitative data on income and consumption is based on all-India sample studies or is aggregated for all of 'urban' India.

The mysterious middle class: narratives and numbers

India's growing middle class has been a hot topic for several years now in the popular media, in the more serious academic literature and most of all in the corporate board rooms and marketing and advertising divisions of many businesses. There are some established economic research firms in India that conduct surveys and collect other kinds of quantitative data on India's changing class structure. Some big banks and financial institutions are also actively researching current trends. Most information is based on all-India samples but a limited amount of the data is available for select urban areas.

The present discourse about class and upward mobility seems only partially based in actual numbers. What is perhaps most striking about Mumbai today is the popular mood, or *Zeitgeist*, one that is very different from times past: there is an unmistakable sense of excitement and confidence about economic progress and upward mobility among many people, or at least in entrepreneurial circles and among many who have a voice

5 See, for example, Sheth (1999), Mukherjee (1999), Kumar *et al.* (2002). I do not want to overstate the case and suggest that caste has lost or is losing its significance in Indian society. Perhaps, at the risk of oversimplification, the reconstitution or rescaling of caste in modern India can be summarized in three ways. First, caste as a communal and ritual support system is increasingly reduced to kinship-based micro-communities. Second, caste has become subject to the machinations of electoral politics at state and national levels resulting in the increased politicization of caste at larger scales. Third, as a marker of social stratification caste is increasingly overshadowed by class and increasingly functions to differentiate social strata *within* class segments – what some call the 'classization of caste'.

in this city.⁶ This prevailing public discourse seems to leave no doubt about the 'burgeoning urban middle class' (Chakraborty and Agarwal, 2004: 1). But empirical analyses of this new middle class are quite rare. Longitudinal data are scarce and often problematic.

One influential data set is from CIER, the Center for Industrial and Economic Research in New Delhi. Table 1 shows the six income categories generally employed by CIER for big cities, towns and rural areas, and Figure 1 shows the changes for all-India from 1996 to 2001. A few quick observations are in order. First, in a country the size and diversity of India, this tripartite distinction of metros, towns and rural areas is still a very crude one and, as we shall see, Mumbai is an outlier even compared to the

Table 1 India's income classes and corresponding yearly household income brackets in rupees* for metros (the big cities), towns and rural areas

Income Class	Metros	Towns	Rural Areas
Affluent	>600,000	>480,000	>360,000
Upper-middle	480,000-600,000	300,000-480,000	180,000-360,000
Core-middle	120,000-480,000	96,000-300,000	72,000-180,000
Low-middle	48,000-120,000	36,000-96,000	30,000-72,000
Poor	15,000-48,000	12,000-36,000	9,600-30,000
Market outcasts	<15,000	<12,000	<9,600

* In July of 2005, the rupee exchange rate was Rs 42.75 to US \$1. For quick reference: Rs 15,000 equals US \$351 and Rs 600,000 equals US \$14,035

Source: CIER (2001), as reported in ICICI (2004: 9)

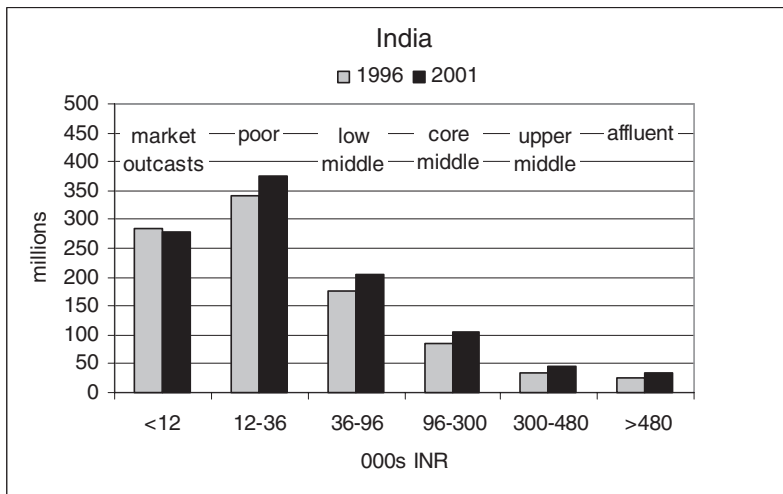


Figure 1 India's income classes in 1996 and 2001, in millions of people, 000s INR per year. Here and elsewhere in the article, income figures are corrected for inflation (source: CIER, 2001, as reported in ICICI, 2004: 9)

6 This includes most mass media. The neoliberal stance of the *Times of India*, *The Economic Times* and *India Today*, for example, is unmistakable. The front pages of these and other newspapers and magazines almost constantly espouse the economic 'growth mantra' and many publications have in recent times added special sections on career management, lifestyles, real estate etc.

rest of urban India. Second, Figure 1 indicates that the overall 'middle class' according to CIER is around 350 million people, or over one-third of the total population of India. Third, the terminology blatantly illustrates prevailing ideologies: the label 'market outcasts' connotes without any reservation the idea that there is apparently no way to survive unless you are competitive in the market. Fourth, according to the graph it is apparent that even by 2001 the poor (including 'market outcasts') account for almost two-thirds of India's population and the poor plus the 'lower middle class' together represent no less than 82% of the total. Finally, this particular data set indicates a modest decline (−2%) in the number of 'outcasts'; a notable increase (+10%) in the number of 'poor' (this is also by far the largest category); a large increase (+20%) in the combined middle classes; and the highest increase (+35%) is among the 'affluent', even though they still comprise only about 3% of the total population.

Another important source of data on class in India is the National Council for Applied Economic Research (NCAER), also based in New Delhi. In a well-known report from 2003, NCAER published elaborate data on income and consumption from 1986 to 1999 for all of India, urban and rural India, all the separate states, and selected cities. Figure 2 provides the NCAER numbers on income classes in all of India. This gives us a somewhat longer perspective, a period of 15 years that started when Rajiv Gandhi made the first modest moves towards liberalization. This picture looks quite good with the lowest income groups being reduced and all others showing substantial increases (though the shares of the upper-middle and highest income groups increased much more than those of the lower-middle and middle income groups. Thus, both sets of figures suggest upward mobility in the upper echelons of India's class system.⁷

But note the very different income categories that are used by these two institutions. The lowest income group of NCAER is defined as under INRs 35,000 while that of CIER, even in urban areas, is below INRs 15,000. NCAER's highest category is over INRs 140,000 and for CIER's it is over INRs 600,000. Needless to say, these are

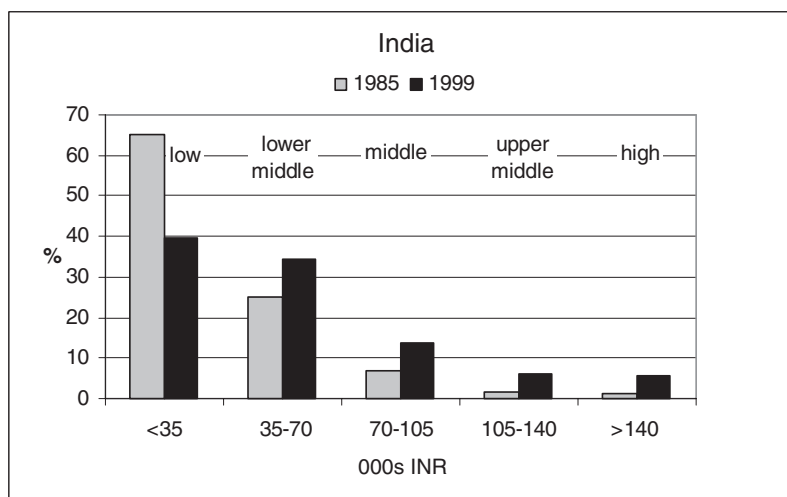


Figure 2 India's income classes in 1985 and 1999 as a percentage of the total number of households. Incomes are 000s INR per year (source: NCAER, 2003: 6, 7)

⁷ Note that Figure 1 enumerates individual people while Figure 2 enumerates households. Since higher-income households tend to be smaller than lower-income households, the distributions and suggested trends over time may differ. This may explain why the share of the number of households with incomes below Rs 36,000 has declined according to Figure 2, but the total number of people with such incomes appears to have slightly increased according to Figure 1 (even though the time periods do not fully coincide).

enormous differences. Most important for our purpose is the discrepancy between the estimates of the size of the middle class. CIER's combined 'middle classes' for all India range from INRs 36,000 to INRs 480,000 and in 2001 comprised 34% of the total population. On the other hand, NCAER's 'middle class' ranges from INRs 35,000 to INRs 140,000 and in 1999 totaled 54% of all households (both data sets are corrected for inflation). This raises some questions about the validity of either or both data sets but it also exposes the difficulty of defining 'the middle' in India's class structure.

This problem must at least in part be attributed to the enormous differences across India, where Mumbai sits at one extreme. There is, to my knowledge, only one general set of longitudinal data for income categories in Greater Mumbai and this one, too, is from NCAER (2003). Figure 3 shows the shares of Mumbai's income classes in 1986 and 1999.

A comparison of Figures 2 and 3 reveals that Mumbai is overall much more prosperous than India.⁸ But because of Mumbai's extreme position in the Indian economy, the customary all-India income brackets do not appear very useful. In present-day Mumbai, it is reasonable to say, income groups below INRs 70,000 can be considered 'poor'; groups with incomes between INRs 70,000–140,000 can be considered 'low' to 'lower-middle' and those with incomes over INRs 140,000 include a broad range of 'core-middle', 'upper-middle' and 'rich'. In Figure 4, the class labels are shifted to conform to these different realities in Mumbai. If we aggregate the categories accordingly, it follows that in Mumbai the share of the 'poor' increased slightly from 25% to 27%, the 'lower-middle' class declined from 52% to 45%, and the middle and higher classes increased from 22% to 28%. This, then, may suggest a trend of polarization where the largest middle section of Mumbai's income class segments

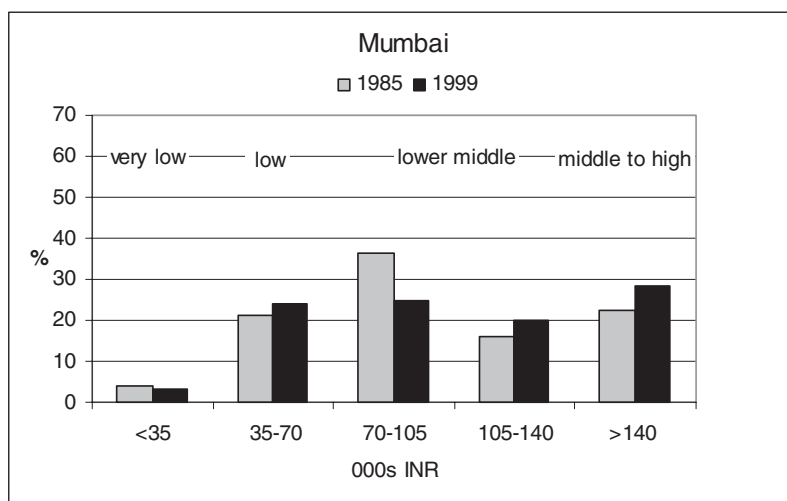


Figure 3 Greater Mumbai's income classes in 1985 and 1999 as a percentage of the total number of households. Incomes are 000s INR per year (source: NCAER, 2003: 174, Table A9.1)

- 8 There is a huge contrast in material well-being, in general, between Mumbai and the rural areas of Maharashtra. According to NCAER, in 1999 only 6% of households in rural Maharashtra had a yearly income over Rs 86,000, compared to an estimated 60% in Mumbai. The average household income for the state was Rs 29,929, compared to an estimated Rs 120,000 in Mumbai (NCAER, 2002: 265).
- 9 The official poverty line in urban India in 2004 was at the spartan level of Rs 21,792 for a family of four (US \$510), presumably the minimum income needed to survive. Again, it is important to note that the cost of living in Mumbai is much higher than in urban India in general, particularly among aspiring middle-class people.

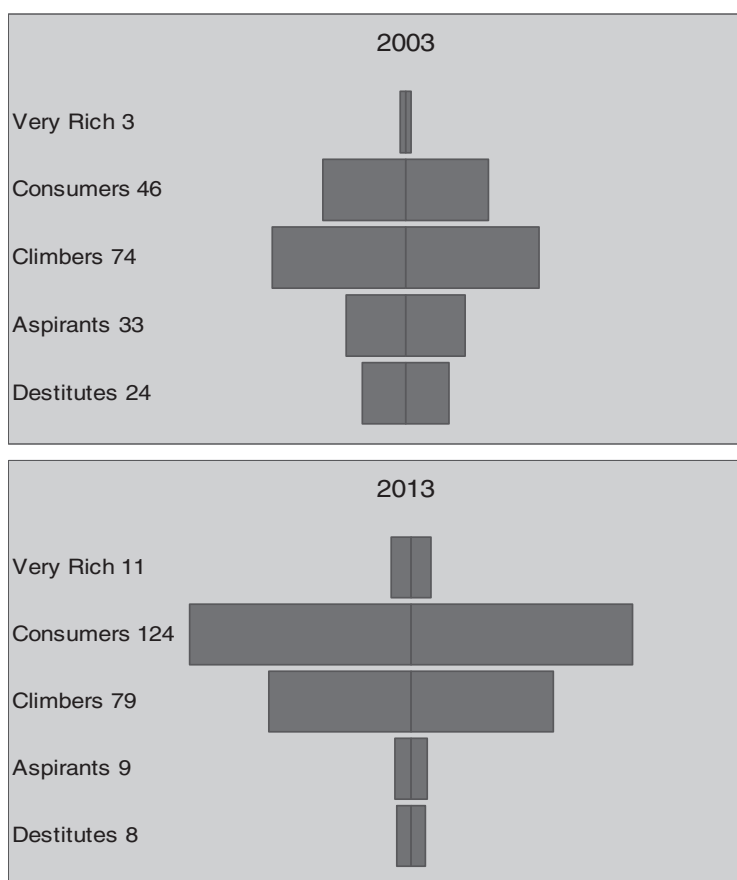


Figure 4 India's 'consuming classes' in 2003 and as projected for 2013, in millions of households – from 2003 to 2013, the number of households is expected to increase from 180 to 231 million (source: NCAER/Hindustan Lever, based on figures reported in the *Times of India* of 28 May 2005)

(lower- middle class) is squeezed between the expanding segments of the poor and the middle and upper classes.¹⁰

Increasingly, in popular discourse and in research, class is defined not so much in terms of income but in terms of consumption.¹¹ In no small part this is due to the fact that the consumptive abilities of the existing and future middle class so interest the corporate sector. Thus, the changes taking place in India have been characterized as 'a consumer led economic transformation' (Chakraborty and Agarwal, 2004: 10). Overall consumption in India increased by about 11% per year between 2001 and 2004¹²

10 It should be noted that, strictly speaking, the longitudinal data do not indicate mobility; they measure the changing relative size of income groups. The changing relative size of income classes is likely to be affected by immigration. Between 1991 and 2001, Greater Mumbai grew from almost ten million to almost twelve million people. If immigration is highly skewed in terms of income classes, it is likely to obscure mobility trends. Unfortunately, there is no reliable data on recent immigrant incomes.

11 There is a long tradition of quantitative research on poverty in India, in which consumer expenditure surveys play an important part and are often preferred over data on income. In contrast to current trends of reporting on luxury consumption, these poverty surveys concentrate on food and nutritional intake.

12 Growth in consumption exceeded growth in production: India's GDP grew by an average 7% per year during the same period.

(*ibid.*: 9). Growth appears to have been most impressive in durable and luxury goods (e.g. household appliances, consumer electronics, cars), and is directly related to the liberalization of the economy. In the words of Chakraborty and Agarwal (*ibid.*: 5):

The country has witnessed a surge in expenditure on consumer durables in the last decade. Some key factors that have enabled this transformation: liberalization of FDI rules that allowed many global concerns to set up shop, widespread coverage of satellite television that educated the population at large about the comforts and benefits from owning these goods, rising income levels in the post reform period and above all a desire to break free from the last four decades of living with inferior quality of goods.

Compared to many other countries in Southeast Asia, the Indian retail industry is still only in its nascent stage, but it is said to be growing 'at an astronomical pace' (ICICI, 2004: 4). Demographic trends play a role as well: compared to other countries (including China), India has the youngest population with a larger number of people reaching working and consuming age in the years ahead. In many parts of Mumbai and other Indian cities, the rapid proliferation of consumerist lifestyles is clearly visible. With its large numbers of relatively well-off people, Mumbai is the lifestyle trendsetter in India. The first-ever American-type shopping mall in India, *Crossroads*, was constructed in Mumbai, in what used to be an old factory building.¹³

Some market projections seem to reflect the imagination of the corporate establishment: according to a recent report from Goldman Sachs, 'India is projected to have the largest number of cars in the world — 611 million — by 2050' (quoted in Chakraborty and Agarwal, 2004: 6). According to the latest research reports from NCAER, in collaboration with the research division of the corporate giant Hindustan Lever, India's 'consuming class' will reach 124 million households (well over half a billion people) by the year 2013. Figure 4 reflects the consumer class structure of India in 2003 and 2013 on the basis of NCAER analyses. These classes are based on certain defining consumption habits: car-ownership for the 'very rich', color TVs or motorcycles for the 'consumers', bicycles or electric fans for the 'aspirants' (NCAER, 2003: 66).

The definition of class in terms of consumption and by way of the criteria above makes for a different, and much healthier-looking, class pyramid. The large majority of Indians, in this perspective, have either already attained the status of consumer or they are well on the way to getting there. Just eight years from now, in this prognosis, almost 60% of India's population will have 'arrived' and the proportion of 'destitutes' will have fallen below 4%. India's class structure in 2013, portrayed this way, is nothing less than spectacular and should perhaps be dismissed as a marketing fantasia.

Still, the aggregate consumption statistics for India do show considerable growth, and the emergence of a consumption culture akin to that of the West is unmistakable, at least in Mumbai. If, as was suggested above, upward mobility in terms of income occurs mainly within the middle/upper-class strata (i.e. from lower-middle class and particularly from core-middle class upwards), then we would expect increases in consumption to be particularly salient in regard to durable and luxury goods. The most prized durable good of all, in Mumbai as elsewhere, is housing, and home sales have indeed grown spectacularly in recent years. This warrants a closer look at the buyers in Mumbai's housing market.

Mumbai's housing revolution

Until liberalization measures took effect in the 1990s, the residential real estate market was very passive and operated in a fragmented fashion (Nijman, 2000). With liberalization, regulations were eased, taxes were reformed, interest rates dropped,

13 The Mumbai expression 'malls instead of mills' reflects the decline of the old textile sector and the rapid ascent of consumerism, with malls sometimes literally taking the place of mills. The fate of former mills' land in the city is a hotly debated public and political issue (D'Monte, 2002).

financial institutions got involved, the middle class was said to be expanding, and builders and developers geared up to compete. The combined result was a veritable housing revolution. For the first time in this city's history there has been a massive wave of construction of houses, and increasingly these are of a quality not seen before.

Since 1998, housing construction in Greater Mumbai has grown at an average 15–20% per year and it is estimated that in total nearly 200,000 new homes were constructed. In 2004–5 alone, well over 50,000 flats came on the market. To put the latter figure in perspective: it is twice the amount of new units that was constructed over ten years (!) in the latest government slum rehabilitation policy in Mumbai.¹⁴ Most of the new developments took place in the northern and eastern suburbs, away from the older and more congested southern part of the city. They are almost all high-rise complexes.

Housing is generally considered the single biggest consumption item for any household, and India's 'consumer led revolution' is therefore closely associated with these watershed changes in the housing market across the major urban areas. In prevailing narratives, proper housing has finally come within reach of large segments of the population and the housing construction boom is seen as a reflection of growing household incomes and an expanding middle class. To be sure, the new residential real estate market has allowed large numbers of people to move into larger and better-quality homes.

But according to a recent large-scale survey,¹⁵ the incomes of households in the new developments are considerably higher than those in Mumbai in general (Figure 5). The median income of households in newly built homes is about INRs 400,000 (almost US

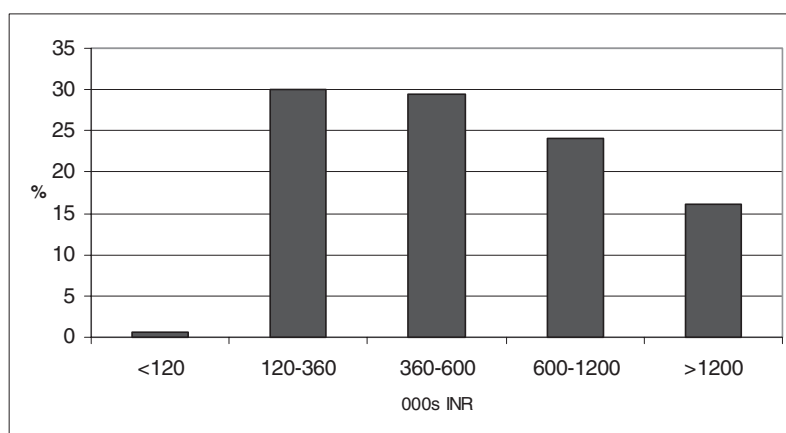


Figure 5 Income classes of households in new residential developments, 2005. Income classes in 000s INR/year (N = 975) (source: author's survey, see footnote 15)

14 The Slum Rehabilitation Agency in Mumbai estimates that some 25,000 new units for previous slum dwellers were completed in Mumbai from 1995 to 2005. Most observers in Mumbai consider the policy a failure.

15 The survey was carried out by the author among households that had recently bought and moved into newly constructed homes. A total of 1,201 surveys were completed from 1 March to 1 June 2005 among households in residential complexes constructed after 2000. The survey design, the sampling and the surveying was done in consultation with *Liases Foras*, a research and consulting firm in Mumbai. The main purpose of the survey was to determine the class status and histories of upward mobility of the inhabitants of new housing projects. It covered a broad range of residential developments and was designed to optimize representation in terms of price and location within Greater Mumbai. The survey rendered a large amount of detailed information – here I will only discuss some of the most pertinent findings in relation to class.

\$10,000) — according to the NCAER data above, that is about three times as high as the median household income of the general population in Mumbai.

The market value of the new housing is another indicator of the incomes of most occupants. The cheapest flats on the market today in Mumbai — and these are typically small one-bedroom apartments deep in the suburbs — that were built within the last five years, cost around INRs 1.5 million (US \$35,000). This is over ten times the yearly median household income, which means that even the cheapest new flats are out of reach of the majority of Mumbaikars.¹⁶ Furthermore, most builders and developers target a more up-scale market: most newly built apartments are in the range of INRs 2.5–4 million (US \$58,000–94,000) and the market segment below INRs 2.5 is indeed small at 17% of the total new housing stock. This confirms that ‘more and more people with perfectly respectable jobs cannot find affordable housing’ (Patel, 2005).

The survey’s findings suggest limited upward mobility in recent years, in terms of movement of people from lower strata into middle-class categories with sufficient income to purchase new housing. Perhaps most telling, more than 83% of all households reported that their parents, too, own or have owned a home. Table 2 provides a profile of the ‘average’ household living in newly constructed flats in Mumbai. Note the average age of the head of the household in newly built homes is 35 years, which is said to be much younger than in the past. Another important point is that 47% of all households report multiple incomes. Traditionally, the typical Indian household would have one male breadwinner but in recent years Indian married women have rapidly entered the workforce.

There is one other bit of information that should be added to the mix. According to a recent report by ICICI (2005: 3–4), supply exceeds demand in Mumbai’s residential real estate market! In 2005, the surplus was estimated at more than 13 million square feet (24%).¹⁷ It is hard to believe that there is a surplus of newly built homes in a city where about half of the population lives in slums and some 200,000 people are pavement dwellers — unless the bottom half of the population simply does not figure in the real estate market.

But if most lower-income people have no access to new housing and if there is no evidence of a significant expansion of the middle class in terms of upward mobility from previous low-income groups, how can we explain the rapidly growing consumer market in upscale housing and other durable and luxury goods? Where does this growth come from? In part, it is explained by the growing absolute number of people in the middle/upper-income strata and by the rising incomes and increasing purchasing power of the

Table 2 Profile of average new home buyer/household in Greater Mumbai, 2005

Median home value of new homes: Rs 3 million (US \$70,000)

Median household income: Rs 400,000/year

83% of parents owned home

47% have multiple household incomes

62% own a car (less than 3% a bicycle)

78% have college or postgraduate degree

Age of first time buyer is about 35

Source: Author’s survey (see footnote 15)

¹⁶ In absolute terms, there are a considerable number of lower-middle-class people who have in recent years been able to purchase a home with financing, particularly far in the suburbs. In relative terms, their numbers are small.

¹⁷ This surplus in newly constructed housing in Mumbai in 2005 is confirmed in a report from *Liases Foras* (2004).

'core-middle', 'upper-middle' and 'high' income classes. Another part of the explanation lies in the meteoric rise of the finance industry in India.¹⁸

A new middle class of debtors?

The exact fate of the various segments of the Indian middle class may remain somewhat mysterious, but there can be no doubt that the consumer finance industry in India never had it so good. 'Plastic money explodes' reported the *Times of India* (30 May 2005) in a recent front page article. The number of credit cards in India was reported to have increased by 40% in the last twelve months.¹⁹ On 2 June, the same newspaper reported that 'Easy loans lead to car glut'. In the past two years, the number of cars in Mumbai increased by an average 12% per year, and 85% of all new cars are said to be purchased with financing. Thus, say two ICICI economists, Indians have changed their habits 'from a saving mentality to affordable indulgence' (Chakraborty and Agarwal, 2004: 1). The phrase must be seen against the background of thriftiness as a traditional Indian virtue. How 'affordable' the current indulgence of India's consumer is remains to be seen but it seems clear that the finance industry does not want him/her to have any second thoughts.

India's housing revolution cannot be properly explained by a restructuring labor market and expanding middle class. Instead, it is in large part predicated on a number of changes in the fiscal and regulatory environment: (1) a significant drop in mortgage interest rates from about 17% in the mid-1990s to around 7% in 2004; (2) a substantial decline in income tax that was made possible through high national growth rates and that resulted in higher purchasing power among consumers; (3) the introduction of tax benefits on mortgage-interest payments; (4) the easing of loan criteria and better services from the finance industry as a result of increased competition (HDFC, 2004). We should probably add to this the rapid emergence, for the first time in India, of large and sophisticated marketing and advertising industries.

Prior to about 1990, the housing finance industry in India was virtually non-existent. It started slowly in the early 1990s, accelerated a bit around 1996 and then took off rapidly near the end of the decade. Since 1999, the housing finance industry has grown at a frantic pace:

The burgeoning middle class, increasing purchasing power, changing demographics and increasing number of nuclear families, scaling down of the real estate prices and a softer interest rate regime and traditionally low default rate resulting in low non performing assets as compared with the other sectors also enabled the housing finance sector to grow at a phenomenal rate of around 39% on the average during the last 3 years (NHB, 2003: 77).

Still, the mortgage penetration rate (mortgage/GDP ratio) in India is very low, suggesting that there may still be plenty of growth ahead for the home finance industry. It is estimated at 2%, compared to 51% in the USA and 15–20% for the Southeast Asian countries (Karnad, 2004).

The private banks have entered this lucrative market only in the last few years and are increasing their market share very quickly:

Towards the end of the 1990s, against the backdrop of lower interest rates, industrial slowdown, sluggish credit off-take and ample liquidity, commercial banks recognized that if they had to maintain their profit margins, they needed to shift their focus . . . and build their retail portfolio. The lower interest rate regime, rising disposable incomes, stable property prices and fiscal incentives made housing finance attractive business (Karnad, 2004: 5).

¹⁸ For a well-known general argument about the roles of the finance industry and 'fictitious' money in the (temporary) circumvention of crises in the capitalist economy, see Harvey (1982).

¹⁹ Credit cards were extremely rare in India until recently. According to Chakraborty and Agarwal (2004: 8), there were only about 300,000 credit cards in all of India in 1990.

Mumbai's leading position in the mortgage market is reflected in the fact that, in 2003, Maharashtra had INRs 81,800 million in outstanding home loans from commercial banks, by far the highest of all states in the Indian union (NHB, 2003: 97–8).

One other reason that is given for the increased demand for housing loans is the 'phenomenon of early purchase' (NHB, 2004: 6). As noted in the previous section of this article, the age of first-time home buyers has come down by about eight years in recent times and now the average stands at 35 years. In the past, households needed to save longer and, when they finally bought a home, they either paid cash or took out a relatively small loan. It is possible, then, that part of the boom in the housing market is due not to a broadening of the middle class, but to the existing younger middle-class generation catching up with their elders.

Middle-class status is most commonly associated with visible consumption which creates a temptation for aspiring upwardly mobile Indians to spend even if they don't have the money — as long they can get the credit. It appears, therefore, that part of the current consumption by urban Indians constitutes some sort of anticipatory socialization, consumption based on the expectation of upward mobility. These consumers are not middle class or upper-middle class (yet), but they are acting like it. And the financing industry is there to help them.²⁰

Conclusions

Definitional problems and a lack of empirical data make it difficult to draw hard conclusions as to what has been happening to Mumbai's middle class since the liberalization of the market in the early 1990s. Many of the findings reported here are based on different pieces of circumstantial evidence. But the pieces are many, they point in the same direction, and altogether the findings provide something of a reality-check for the pervasive mood of optimism and upbeat middle-class imaginaries that characterize much of urban India today.

First, even if the absolute number of households in Mumbai's middle classes increased during the past fifteen years or so, there is no evidence of a significant broadening or expansion of the share of the middle class relative to the total population. The household income figures suggest that the largest stratum, the 'lower-middle class' is getting squeezed between the expanding segments of the poor and the 'core-middle' and higher-income classes. Due to the limitations of the data, we cannot be sure about the extent of upward or downward mobility across the different income strata, mainly because of the potential effect of immigration (again, no migration data is available to test that hypothesis). It does appear, however, that large numbers of poor people have been either unaffected or further marginalized in recent years. This means that for a number of lower-middle income households mobility may be downwards, rather than upwards, which would confirm Fernandes' (2000) conclusions about marginalization trends based on her qualitative research in Mumbai. To be sure, Mumbai's housing revolution provides better housing for the middle and upper-middle classes, but it does not address the needs of some six million slum dwellers. From the household survey done by this author it was concluded that upward mobility among recent home-buyers has been quite modest.

Second, the data do show a noticeable increase, absolutely and relatively, in the number of households in upper-middle and upper income strata. Some of this is no doubt the result of increasing levels of prosperity, but not all of it. Part of this expansion is explained by the break-up of extended families and decreasing size of upper-income

20 During 1995, a billboard advertisement from one of India's biggest banks featured a picture of what appeared to be a typical middle-class family, with the father exclaiming 'We bought our first car. I didn't even wait for a promotion'. At the bottom of the advertisement, the bank adds the imperative 'Don't wait'.

households (the median household size in the survey was four persons while the average household size in Mumbai is 4.8 persons). Another part of the explanation is the rapidly growing number of women entering the workforce. One might say that where in the West people need more than one household income to *maintain* middle-class status, in India they need more than one income to *achieve* middle-class status.

Third, if it is accurate to speak of social polarization in Mumbai and elsewhere in urban India it is mainly in terms of the middle classes pulling away from the poor and low-income classes.²¹ It is there that the gap seems to be widening. The situation is different from what appears to be the case in Western cities, where the middle class at large is found to be shrinking and where this seems mainly due to restructuring labor markets. In India the shifts are mainly among segments *within* the middle class (upwards), the role of restructuring labor markets seems less profound, and the invention of the credit industry seems quite significant. But Mumbai appears similar to Western cities in regard to the apparent marginalization of the poor who cannot compete effectively in the neoliberal market place.

Fourth, there is a very significant increase of middle-class and upper-middle class *consumption* and much of this is credit-based. It is consumption, not income, that has become the marker for middle-class status in common parlance and much of this prevailing discourse is actively generated by the explosively growing financing, marketing and advertising industries.

There are, of course, some good things happening in India, most of all in terms of more and more people having access to quality consumption goods. But it seems that things are not quite as good as they are often made out to be. Claims about urban India's changing class structure and the rise of a 'great middle class' appear exaggerated, misplaced in as far as the main actual change concerns upwards shifts *within* the middle class, and are in no small part based on credit-driven consumption rather than on structural and wide-ranging transformations of the economy and labor market.

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²¹ As noted earlier, Mumbai is not representative of all Indian cities. According to NCAER (2003) data, Mumbai's most recent income distributions and trends are fairly similar to those of Delhi and nearby Pune, but less similar to those of Chennai, Bangalore and Kolkata. Mumbai is very different indeed from 'lesser developed' cities such as Lucknow, Jaipur or Kanpur (where the share of the poor is much larger and the share of the rich much smaller and where the lower-middle categories are expanding rather than contracting).

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Résumé

Mumbai présente un ensemble intéressant de liens entre libéralisation économique, mondialisation, restructuration de classe, sans oublier une explosion sans précédent de la construction de logements. La nouvelle classe moyenne indienne, dont on parle tant, est surtout un phénomène urbain, particulièrement frappant dans la plus grande ville et capitale commerciale de l'Inde. En tentant d'élucider quelques mystères qui entourent cette nouvelle classe, l'article s'intéresse à sa définition empirique, aux modalités de sa croissance (si elle croît), et à l'adéquation (ou non) de l'argumentaire occidental sur la polarisation sociale avec la restructuration des classes à Mumbai. L'analyse empirique recourt à plusieurs sources de données existantes sur le revenu et la consommation à Mumbai (et en Inde), et rend compte de résultats tirés d'une récente enquête de l'auteur sur le logement, la classe et la mobilité ascendante des ménages habitant des maisons récentes dans la banlieue de Mumbai. Les données sur la répartition des revenus des ménages montrent que les classes de revenu de la haute bourgeoisie ont progressé par rapport au total, que celles de la petite bourgeoisie ont rétréci et que les rangs des pauvres ont légèrement augmenté. L'enquête auprès de nouveaux acheteurs de logement à Mumbai suggère une faible mobilité ascendante. Le discours sur la 'nouvelle classe moyenne' se consacre plus à la consommation qu'au revenu et, selon d'autres constatations, la croissance de la consommation s'appuie largement sur le crédit.